

PRESENTATION BY  
SIGECO and Indiana Gas Company d/b/a

**VECTREN ENERGY DELIVERY OF  
INDIANA, INC.**

BEFORE THE  
INDIANA UTILITY REGULATORY COMMISSION

NATURAL GAS FORUM

June 21, 2004

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# Vectren Employees Attending

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- Bill Doty – President, Vectren Utility Holdings, Inc.
- Jerry Ulrey – VP Regulatory Affairs and Fuels
- Doug Karl – VP Marketing and Customer Service
- Rick Schach – VP Energy Delivery
- Mike Roeder – Director of Corporate Communications/Lobbyist
- Robbie Sears – Director of Receivables
- Perry Pergola – Director Gas Supply
- Scott Albertson – Director Regulatory Affairs

# Presentation Outline

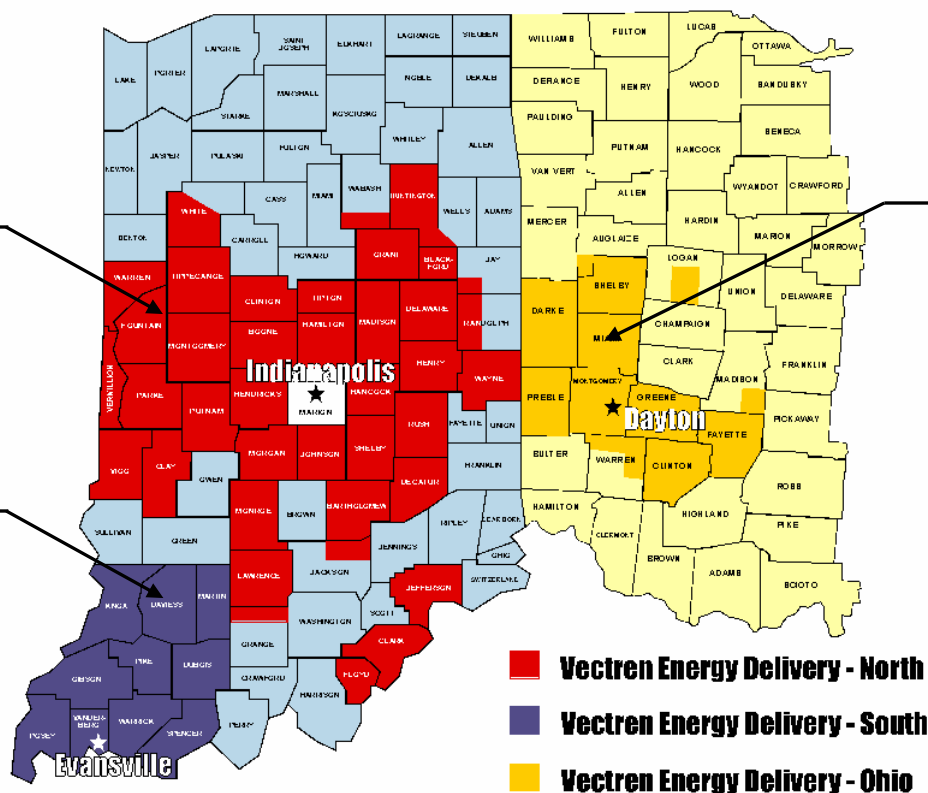
1. U.S. Gas Supply Situation
2. Vectren's Gas Procurement Approach
3. Vectren's Customer Assistance

# Service Area Map

547 Thousand Customers  
w/124 Million Dth  
Throughput for 2004

112 Thousand Customers  
w/33 Million Dth  
Throughput for 2004

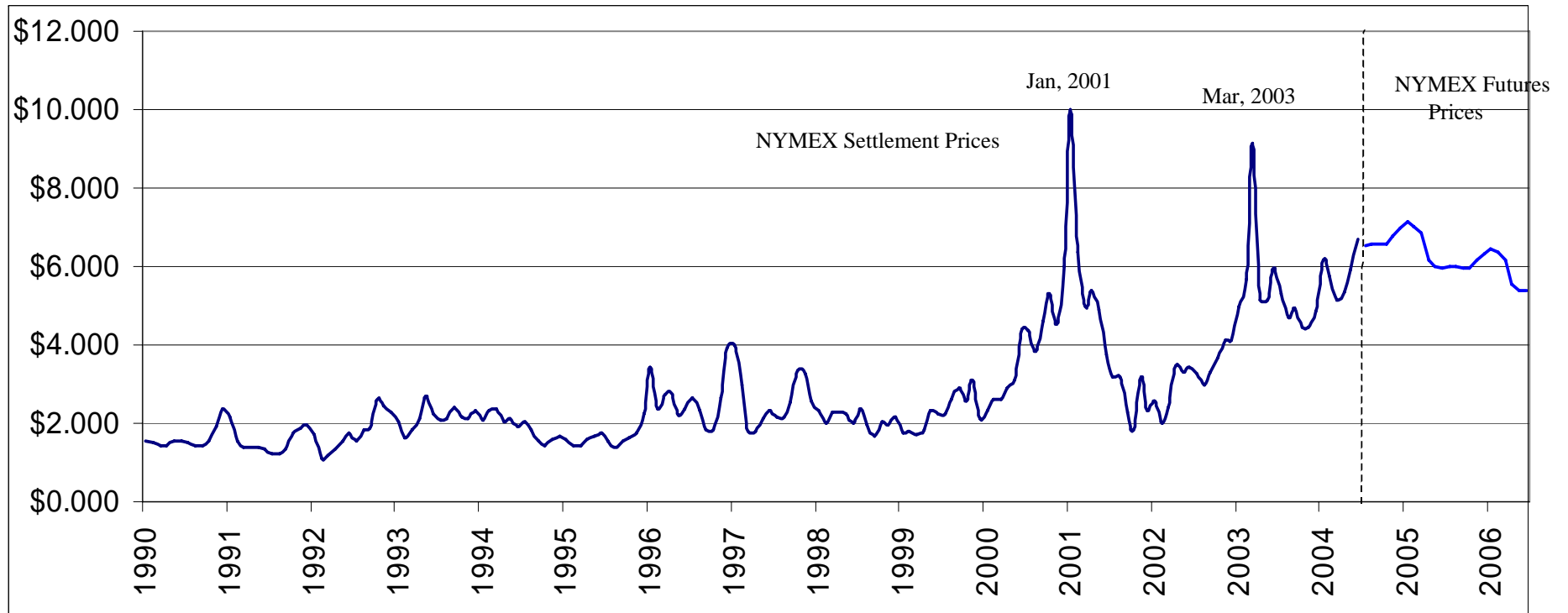
315 Thousand Customers  
w/59 Million Dth  
Throughput for 2004



# U.S. Gas Supply Situation

Bill Doty

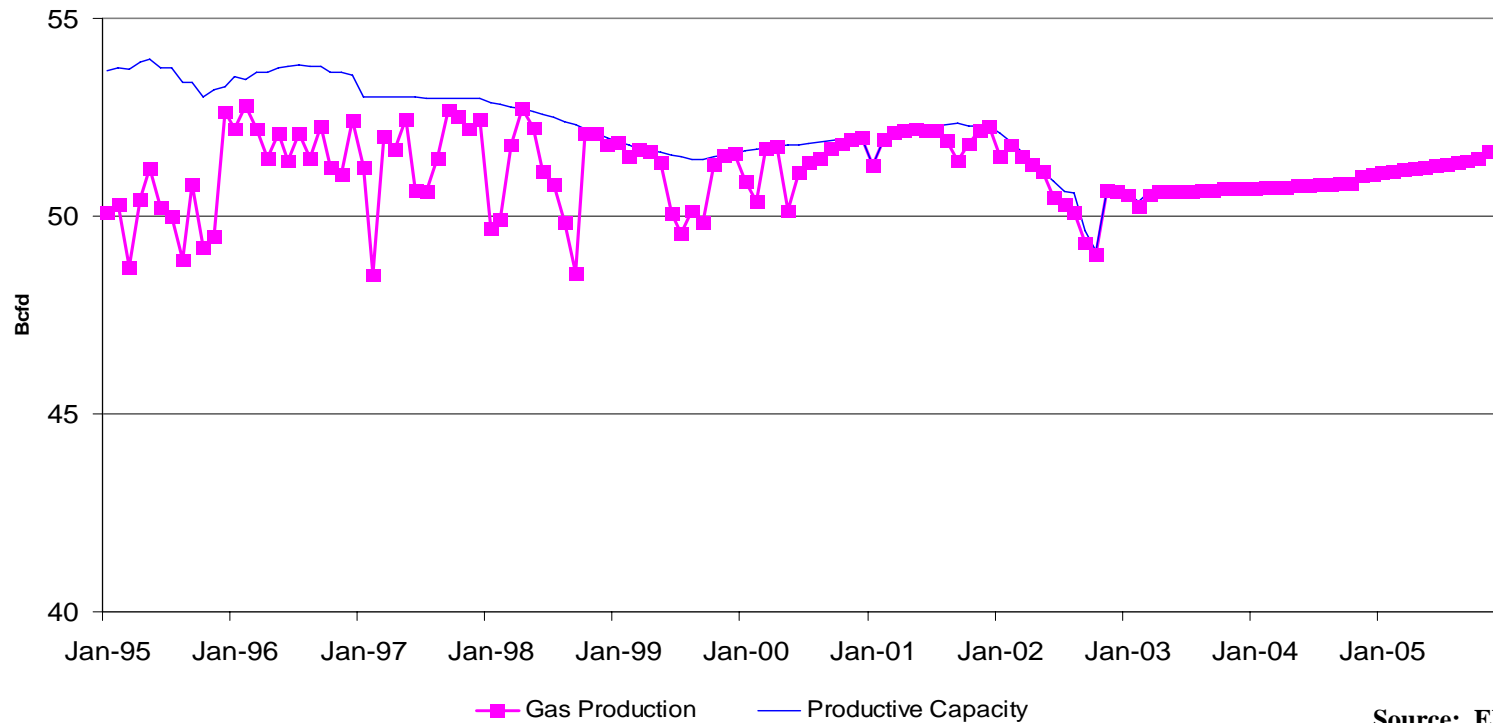
# NYMEX Prices



Source: Data Transmission  
Network as of 6/2/04

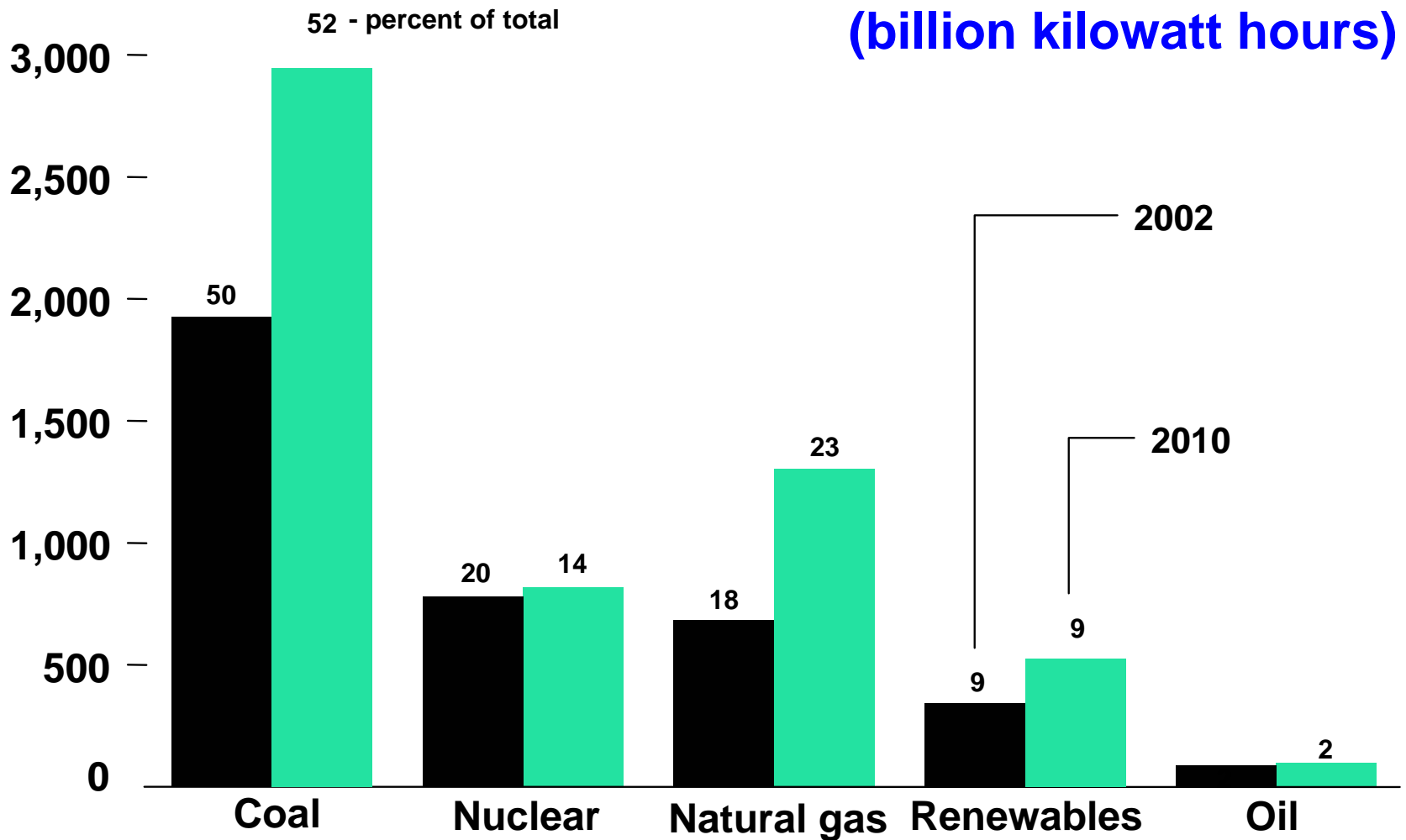
# Supply And Demand Balance

**Lower-48 Dry Gas Production vs.  
Dry Gas Productive Capacity**



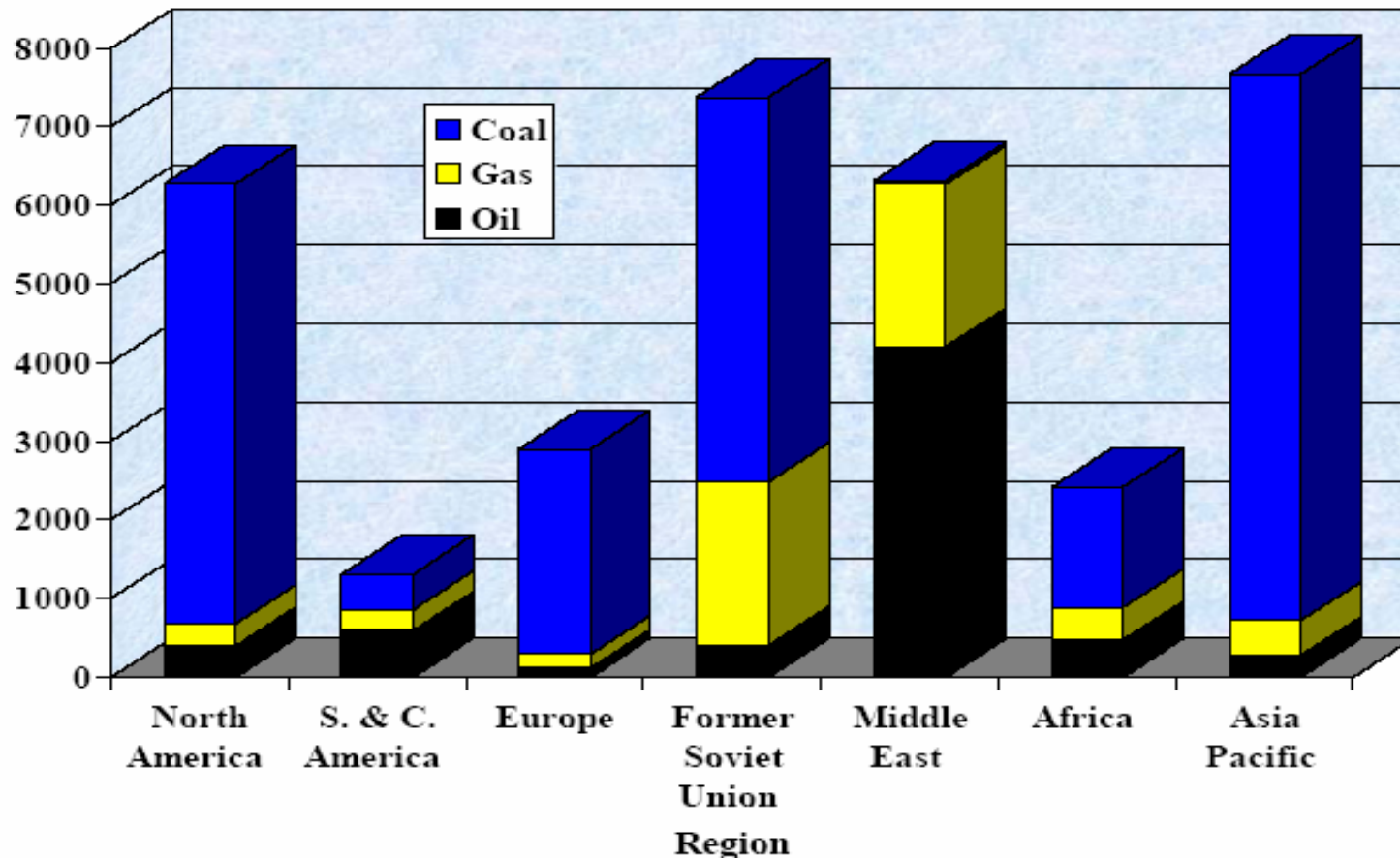
Source: EEA

## Projected Electricity Generation by Fuel, 2002 and 2010

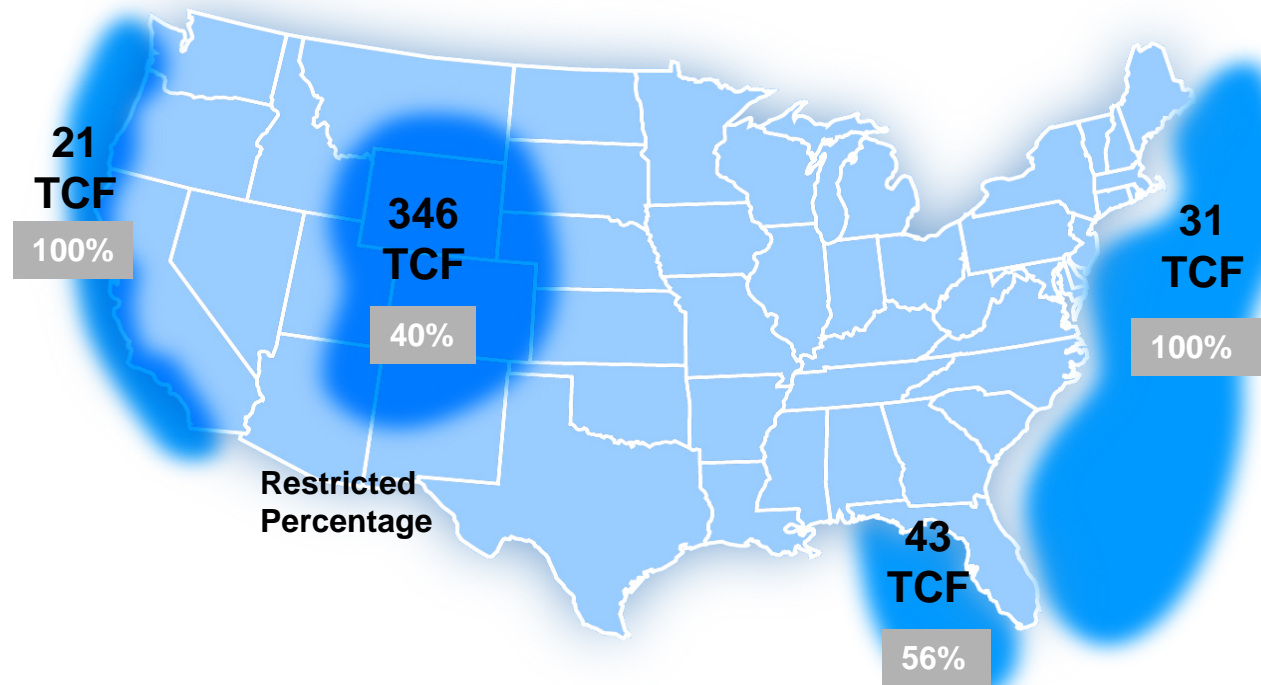




# Remaining Energy Reserves

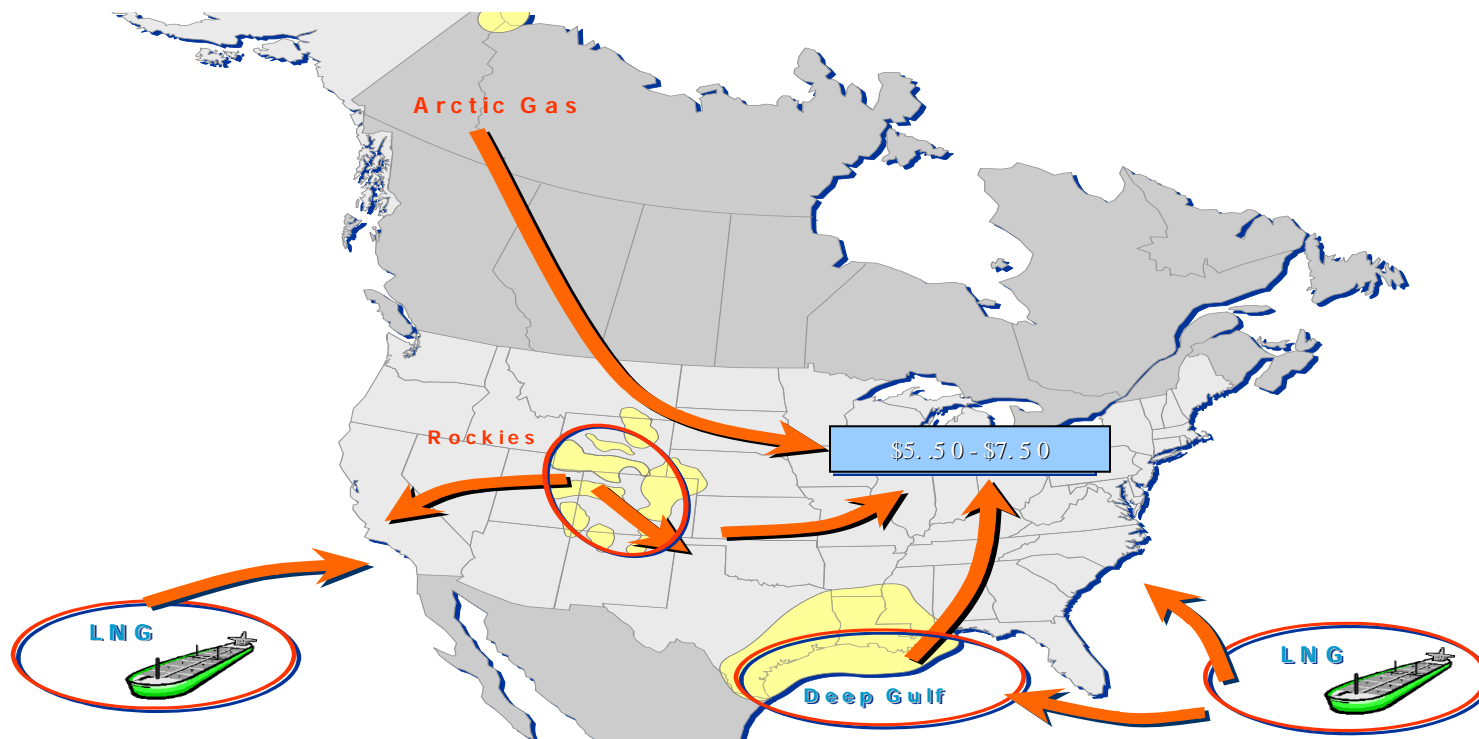


# Major Portions of the Gas Resource Base are Not Accessible



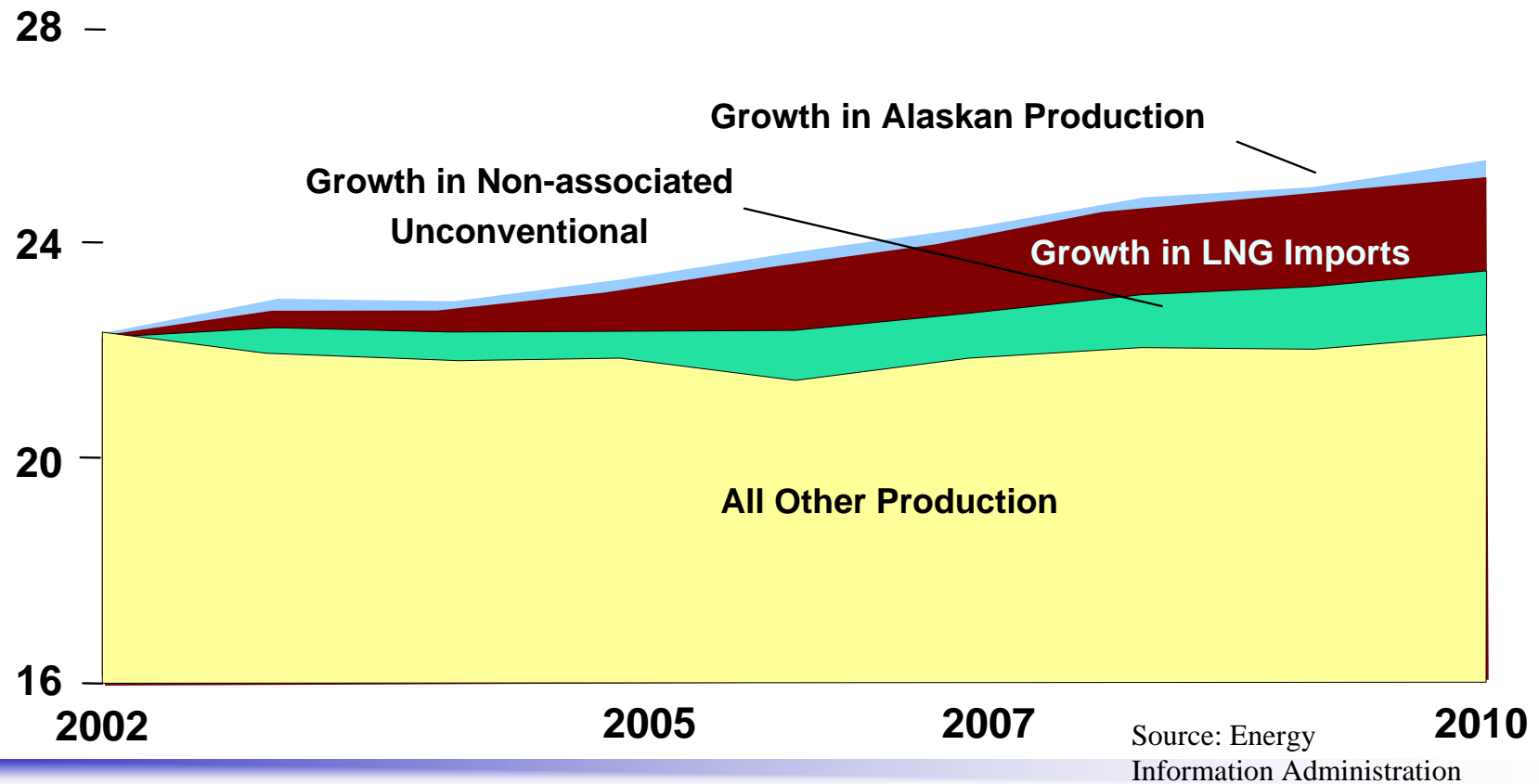
Approximately 29 trillion cubic feet (TCF) of the Rockies gas resources are closed to development and 108 TCF are available with restrictions.

# New Supply Must Come From New Areas



## Major Sources of Incremental Natural Gas Supply

trillion cubic feet



\*Includes total associated-dissolved, non-associated conventional, lower-48 offshore, supplemental natural gas production, Canadian, and Mexican imports.

# Solutions to Current Situation

- **Short- to mid-term solutions**
  - Expand existing LNG facilities
  - Increase production from deeper waters in gulf
  - Increase other sources for electric generation
  - Conservation
  
- **Significant solutions will take time**
  - Changes in the generating mix
  - E&P in areas now off limits
  - Alaskan gas and new LNG are 5-10 yr options

# Vectren's Gas Procurement Approach

Jerry Ulrey

# Vectren's Portfolio Approach

➤ **Objectives:**

- Purchase reliable gas supply at market prices
- Mitigate price volatility of gas sold to customers

➤ **Components:**

- Storage Gas
- Advance Purchases
- Financial Hedges
- Market Purchases in Month of Delivery

➤ **Target:**

- Hedge 65% of annual purchases and 75% of winter deliveries to customers

# Storage Summary

<u>South</u>		<u>North</u>	
Company Storage	3.4	Company Storage	5.5
Contract Storage	0.5	Contract Storage	17.4
<hr/> Total Storage (Bcf)		<hr/> Total Storage (Bcf)	
	3.9		22.9
% of Winter Deliveries	42.9%	% of Winter Deliveries	43.7%
% of Peak Day Deliveries	62.6%	% of Peak Day Deliveries	42.2%



## Vectren South

### Annual Demand/Purchases (in Bcf)

	<u>Demand</u>	<u>Purchases</u> *
Winter	9.1	5.2
Summer	4.1	8.0
Total	13.2	13.2

\* Storage allows 3.9 Bcf of purchases to be shifted from Winter to Summer.

## Vectren North

### Annual Demand/Purchases (in Bcf)

	<u>Demand</u>	<u>Purchases</u> *
Winter	52.4	29.5
Summer	18.2	41.1
Total	70.7	70.7

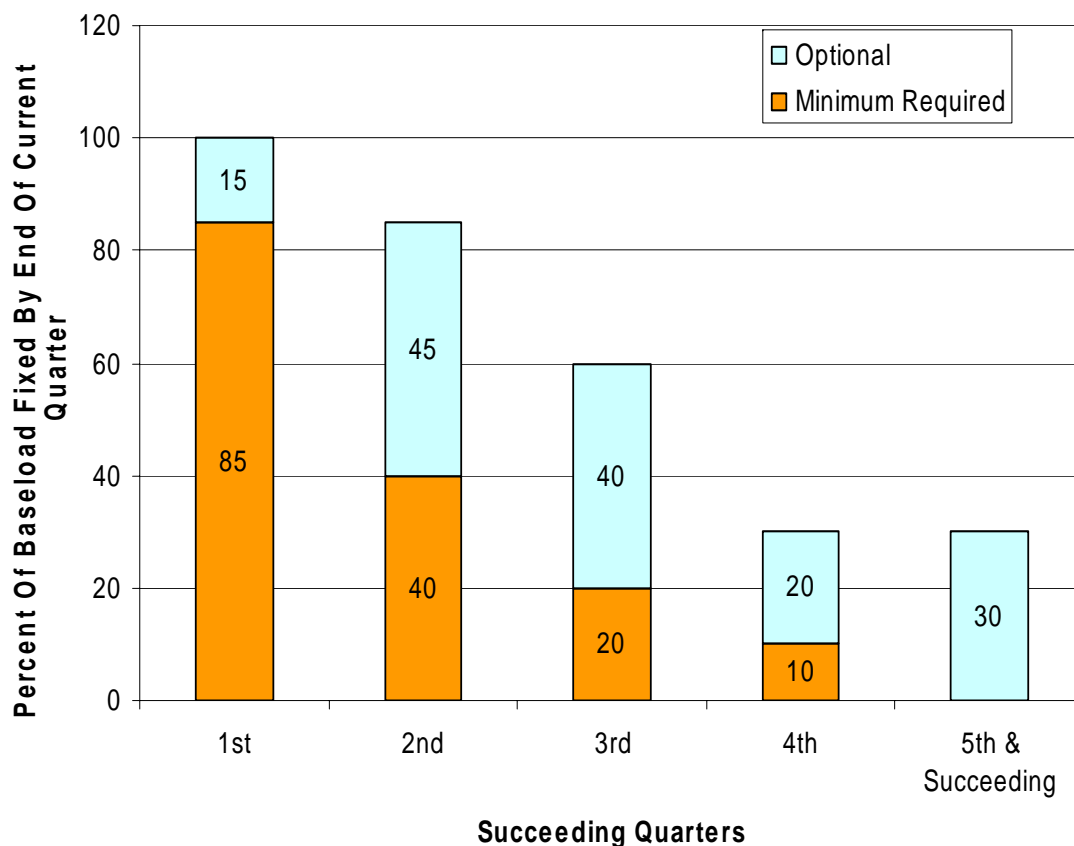
\* Storage allows 22.9 Bcf of Purchases to be shifted from Winter to Summer.

# Peak Day Supply Sources

<u>South</u>	
Flowing Supply	77,634
Company Storage	111,000
Contract Storage	19,032
Propane	-
<u>Total Supply</u>	<u>207,666</u>
<u>Peak Day Demand</u>	<u>197,777</u>
Reserve Supply	9,889
Reserve Margin	5%

<u>North</u>	
Flowing Supply	519,108
Company Storage	121,000
Contract Storage	277,355
Propane	25,500
<u>Total Supply</u>	<u>942,963</u>
<u>Peak Day Demand</u>	<u>898,060</u>
Reserve Supply	44,903
Reserve Margin	5%

# Advance Purchases



- Quarterly Hedge Targets
- Price Triggers are used within the dollar cost averaging framework

# Advanced Purchases By Quarter

## Vectren - South

Quarter	Mar -May 04	June - Aug 04	Sept - Nov 04	Dec - Feb 05	Mar -May 05	June - Aug 05	Sept - Nov 05
FIXED (Dth)	1,745,667	1,192,751	721,166	1,019,410	621,501	420,032	280,036
Avg. Price	\$ 5.0122	\$ 5.1438	\$ 4.2279	\$ 4.3427	\$ 4.1977	\$ 4.0218	\$ 4.0218

## Vectren - North

Quarter	Mar -May 04	June - Aug 04	Sept - Nov 04	Dec - Feb 05	Mar -May 05	June - Aug 05	Sept - Nov 05
FIXED (Dth)	2,887,390	2,682,851	1,051,198	1,449,518	601,500	600,064	400,052
Avg. Price	\$ 5.0720	\$ 5.2464	\$ 4.4239	\$ 4.3520	\$ 4.1971	\$ 4.0206	\$ 4.0206

# Financial Hedge Program

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- Purchase gas **futures** to fix the price on a portion of our purchases
- Purchase gas **options** to:
  - **Cap** prices at a specified price
  - **Collar** prices within a price range
- Target is to hedge 85% of the contract storage refill and a portion of the winter First-of-Month (FOM) purchases.

# Current Gas Price Projections

	<u>NYMEX</u>	<u>EIA</u>	<u>Private</u>	<u>Average</u>
<b>Nov-04</b>	\$ 6.77	\$ 6.70	\$ 6.90	\$ 6.79
<b>Dec-04</b>	\$ 6.96	\$ 7.06	\$ 7.20	\$ 7.07
<b>Jan-05</b>	\$ 7.08	\$ 6.71	\$ 7.40	\$ 7.06
<b>Feb-05</b>	\$ 7.02	\$ 6.14	\$ 7.20	\$ 6.79
<b>Mar-05</b>	\$ 6.85	\$ 5.87	\$ 7.00	\$ 6.57
<b>Winter Average</b>	\$ 6.93	\$ 6.50	\$ 7.14	\$ 6.86

# Vectren's Customer Assistance

Doug Karl



# Gas Price Impacts

- Residential Customers
  - Significant effect on low-income customers who already struggle with ability to pay.
  - Widens the population who will struggle to pay.
  - Each \$1.00 increase in the commodity price has approx. a \$100 annual effect on the average residential space heating customer.
- Commercial Customers
  - Increased costs of operation.
  - Each \$1.00 increase in commodity price has approx. a \$350 annual effect on the average commercial customer.
- Industrial Customers
  - Increased cost of operation.
  - Need to add price mitigation strategies.
  - Threatens growth and expansion opportunities.

# Gas Price Impacts

- 2004 Projected Net Write - offs \$7,809,000
  
- Current Disconnected Customers
  - South
    - Electric 1,142
    - Gas 2,126
  - North 13,992
  
- Average Current Disconnected Arrears Balance
  - South \$ 213.00
  - North \$ 212.00

# Gas Price Impacts

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- Customer Contact Center
  - 6 % increase in call center volumes YTD
  
- Calls Received:
  - 2003 (January - May) 1,049,714
  - 2004 (January - May) 1,116,512
    - Increased high bill inquires
    - Increased payment arrangements

# Assistance Programs

## ➤ **LIHEAP Federal Funds**

- North      \$5,672,782      20,791 Households assisted
- South      \$3,048,700      8,653 Households assisted
- Total      \$8,721,482      29,444

## ➤ **Share the Warmth**

- Funds distributed to 21 local CAP Agencies via INCAA
- Funds distributed:
  - \$ 500,000 Vectren contribution (Recurring)
  - \$ 610,000 Vectren GCA 50 settlement funds (Recurring)
  - \$ 15,000 Public and Vectren matching funds (Recurring)
  - \$1,125,000 Total Funding
- Households provided assistance
  - North 3,295
  - South 1,878

# Assistance Programs

## ➤ GCA 50 Settlement Refund

- \$6.3 million credited to North customers in December 2002 bills. (One-Time Settlement Fund)
- **2004 Funds:**
  - GCA 50 Settlement Funding is a 3 year commitment of approximately \$1.1million in annual funding beginning in 2003.
  - Share the Warmth **\$610,000**
  - Other Funding:
  - Low Income Weatherization **\$150,000**
    - *74 homes received furnaces through existing CAP programs in 2003*
  - Fall Turn-on Program **\$246,500**
    - *Anticipate 1,600 customers will be provided with assistance toward reconnection or disconnection avoidance this fall.*

# Bill Payment Programs

## ➤ Budget Bill

- Customers pay the same amount over a 12-month period based on estimated usage
- Provides ability to budget payment amount and avoid monthly fluctuations
- Credit or Debit balances roll forward over next 12 months
- Current Enrollment
  - 107,015 North customers Average Budget Bill \$104.87
  - 5,978 South customers Average Gas Budget Bill \$70.41
- 2004 budget bill impacted by:
  - Gas Commodity Cost Expectations
  - Average Ending Balance per Budget Account is a Credit

# Bill Payment Programs

## ➤ Deferred Payment Date Plan

- Due date of monthly bill can be coordinated with receipt of monthly Social Security or pension checks.
- Must remain current in order to maintain eligibility in the plan

## ➤ Pay by Phone

- Payment can be made by check (no additional fee)
- Payment can be made by credit card (additional fee required)

## ➤ Payment Sites

- Payments can be made at numerous sites

# Customer Communication Plans

- Phase I (July - September)
  - Educate customers
    - High natural gas prices are coming this winter
    - Need to prepare homes for winter weather
    - Sign up for budget billing program
    - Enroll early for LIHEAP and Share the Warmth assistance
    - Meet with Gas Supply Marketers that provide service to transport customers to confirm winter season processes
- Phase II (October)
  - Issue Projections on pricing and customer bill impacts
  - Educate customers
    - Home weatherization and energy conservation tips
    - Sign up for budget billing program
    - Enroll now for assistance programs
    - Transportation customer meetings



# Customer Communication Plans

- Bill Inserts
- Bill Messaging
- Speakers Bureau
  - Provide outreach preparedness and education
- Web Content
  - Natural gas price and supply outlook
  - Weatherization and conservation information
  - Energy assistance information
- Employee Communications
  - Educating our employees to better prepare and inform customers, neighbors and friends
- Energy Efficiency Promotion
  - Energy Saver booklets, weather stripping, etc.



Vectren.com screen shot